

Message Text

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ACTION STR-08

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC PRIORITY 3880

USMISSION EC BRUSSELS PRIORITY

C O N F I D E N T I A L LUXEMBOURG 0274

E.O. 11652: GDS

TAGS: ETRD, GATT, EEC, LU

SUBJ: ARTICLE 24:6

REF: LUXEMBOURG 272

1. ON APRIL 30 WE APPROACHED GENERAL MOTORS SUBSIDIARY AS INDICATED REFTEL AND WERE INFORMED THAT GM HAS NO OBJECTIONS TO A RATE OF 15 PERCENT ON DUMPERS AS PER LATEST U.S. REQUEST. ACCORDING TO THE MANAGER OF GM SUBSIDIARY, LOCAL PLANT PRODUCTION CONSISTS OF 75 PERCENT FRONT END LOADERS AND 25 PERCENT LARGE DUMPERS OF GREATER THAN 10,000 CC. AS PART OF WORLDWIDE GM RATIONALIZATION OF PRODUCTION, DUMPER PRODUCTION IN LUXEMBOURG IS LIKELY TO BE PHASED OUT IN NEXT FEW YEARS WITH LOCAL SUBSIDIARY CONCENTRATING ON FRONT END LOADER PRODUCTION. EMPLOYMENT AT SUBSIDIARY IS EXPECTED TO INCREASE FROM CURRENT 350 TO MORE THAN 600 IN NEXT FEW YEARS. LOCAL MANAGER BELIEVES THAT GM IS MOVING TOWARD WORLD UNIT PRICING SIMILAR TO CATERPILLAR AND VIEWS TARIFF LEVEL OF 15 OR 20 PERCENT ON DUMPERS AS UNIMPORTANT IN GM PRODUCTION DECISIONS FOR LUXEMBOURG SUBSIDIARY.

2. IN ABSENCE OF REICHLING AND SCHLEICH, GOL OFFICIALS MOST DIRECTLY INVOLVED WITH 24:6, WE APPROACHED MICHEL GRAFFE OF MFA INTERNATIONAL ECONOMIC AFFAIRS OFFICE, POINTING OUT GM PRODUCTION PLANS AND WILLINGNESS
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TO ACCEPT LOWER DUTY ON LARGE DUMPERS. WE AGAIN URGED

GOL TO TAKE MORE FLEXIBLE STANCE ON DUMPER ITEM AND TO
USE ITS INFLUENCE ON THE BELGIANS IN ORDER TO ARRIVE
AT A 24:6 PACKAGE ACCEPTABLE TO THE U.S. GRAFFE INDI-
CATED THAT HE WOULD INFORM REICHLING, WHO IS ON HIS WAY
TO BRUSSELS, OF OUR LATEST APPROACH. FARKAS

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NNN

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